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Globalization and Africa Overview of the Main Issues

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The articles that follow examine how Africa can reposition itself to take full advantage of globalization—while minimizing the risks in the process—to accelerate economic growth and reduce poverty. Together, these articles sketch a road map that could help make globalization work better for Africa. This issue is particularly important given Africa's position in the global economy: its share of world trade has dwindled, foreign direct investment in most countries has remained at very low levels, and the income gap relative to advanced countries has widened. Today, more than 300 million people in sub-Saharan Africa live on less than \$1 a day. Of all the regions in the world, sub-Saharan Africa has the largest proportion of people—48 percent—living in extreme poverty. The New African Initiative recently adopted by African leaders is a response to these challenges. It does not promise "business as usual." Rather, in the context of an increasingly interdependent world, it calls for a more integrated and determined approach to fighting poverty in Africa.

In a recent speech on the New African Initiative, and more generally, a global partnership for African economic development, Horst Köhler, Managing Director of the IMF, underscored the importance of a comprehensive approach for addressing critical questions about globalization. Such a framework, he added, "must respond to the fact that all humanity shares one world, and must lay the foundation for more broadly based prosperity." And in recent remarks, Anne Krueger, the IMF's First Deputy Managing Director, noted that thanks to globalization, parts of the world have broken out of poverty and improved their living standards, but that more

needs to be done for those who have been left behind. She emphasized that globalization will continue to be a vehicle for closing the gap between the industrial countries and the rest of the world.

These issues formed the backdrop to a high-level seminar on globalization and Africa, which was held in Tunis on April 5-6, 2001. The seminar, organized by the IMF Institute in the context of its program of activities with the Joint Africa Institute and cohosted by the Central Bank of Tunisia, brought together ministers, central bank governors, and other officials from 14 African countries (including 3 North African countries), representatives of a number of regional organizations, IMF Executive Directors representing African countries, and senior IMF staff.

The articles here are based on papers presented at the seminar. The overarching objective of making globalization—this multidimensional reality—a process of full integration among nations is the theme of Mohamed Daouas's introductory article. Meeting this challenge, he argues, calls for considerable effort from all parties involved. African countries will have to move forcefully to accelerate reforms, while the international community will have to provide sufficient financing and technical assistance in support of reform initiatives.

With a focus on globalization in sub-Saharan Africa, S. Ibi Ajayi notes that how Africa seeks to integrate itself into the world economy must be determined by its major goals—achieving faster economic growth and development and reducing poverty. After looking at why Africa has missed out so far on the benefits of globalization, he indicates what steps Africa should now take. Although each African country will have to formulate a development strategy that best suits its specific circumstances, Evangelos Calamitsis suggests that most countries will probably need to implement stronger domestic policies and reforms designed to consolidate macroeconomic stability, enhance human resource development, improve basic infrastructure and spur agricultural development, accelerate trade liberalization and regional economic integration, promote a sound banking system, foster private investment, and ensure good governance. In his article, Robert Sharer underscores the importance of improving Africa's trade performance. In addition to further trade liberalization, he suggests that African countries bolster their arrangements for regional

integration and capitalize on ways to strengthen their bargaining power within the global trading system.

The comprehensiveness of the above reform agenda notwithstanding, it is still not enough. Seyni N'Diaye argues that to facilitate full integration into the global economy, most African countries will have to undertake institutional reforms. In particular, they should limit the role of the state to delivering essential public services, promote a dynamic private sector within a liberal and transparent regulatory framework, and strengthen the role of civil society, which could make an important contribution to fighting poverty and protecting the environment.

Two case studies, Mauritius and Tunisia, serve as a reminder that African countries can indeed be successful in joining the global economy and substantially reducing poverty. As Arvind Subramanian notes, the success of Mauritius is in no small part due to sound economic fundamentals—stable macroeconomic policies, neutral incentives between tradable and nontradable sectors, and an efficient services sector—and, he adds, to the high quality of its governance. In the same vein, Abdellatif Saddem explains that Tunisia's experience highlights the benefits of prudent macroeconomic policies and far-reaching structural reforms, including closer integration with Europe (through an association agreement with the European Union), the rest of Africa, and the Arab world. Although interregional cooperation is an essential component of Tunisia's development strategy, Saddem emphasizes that it cannot be a substitute for continued domestic reform efforts. In Paul Chabrier's view, for the North African region as a whole to be successful in boosting investment and growth, it needs to adopt a strategy based on four pillars: maintaining sound macroeconomic policies, liberalizing domestic markets and fostering increased openness, concluding bilateral cooperation agreements with the European Union, and promoting regional measures that complement the cooperation agreements with the European Union.

The role of the international community and the international financial system are the subjects of the final two articles. G. E. Gondwe reviews the steps that the IMF is taking to promote efficient regional integration in Africa, a topic that featured prominently in the discussions of the Managing Director of the IMF and the President of the World Bank with African heads of state during their joint visit to Africa in February

2001. In our article, we examine the progress that African countries are making in implementing policies that are in line with the new international financial architecture. The key building blocks of the new financial architecture, together with the joint IMF-World Bank debt-relief initiative known as the HIPC (Heavily Indebted Poor Countries) Initiative and the IMF's recently created concessional lending facility (the Poverty Reduction and Growth Facility), are not only relevant to Africa's current economic agenda but can also contribute to moving this agenda ahead.

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